



# [ 2020 Financial Review

For the year ending  
30 September 2020



Phill Rowland,  
Chief Financial Officer.

"I am delighted to report continued strong results in what has been an extraordinary year, demonstrating our resilience and clear focus as a Group.

I'm also proud of how our software has supported the delivery of critical activities for public services around the world."

# 2020 Highlights

57%

Recurring net revenues\*

£424.9<sub>m</sub>

Group revenues

21.9%

EBITDA margin  
improved to 21.9%

£220.3<sub>m</sub>

Recurring revenues

94%

Cash flow from operations  
at 94% of EBITDA

£93.1<sub>m</sub>

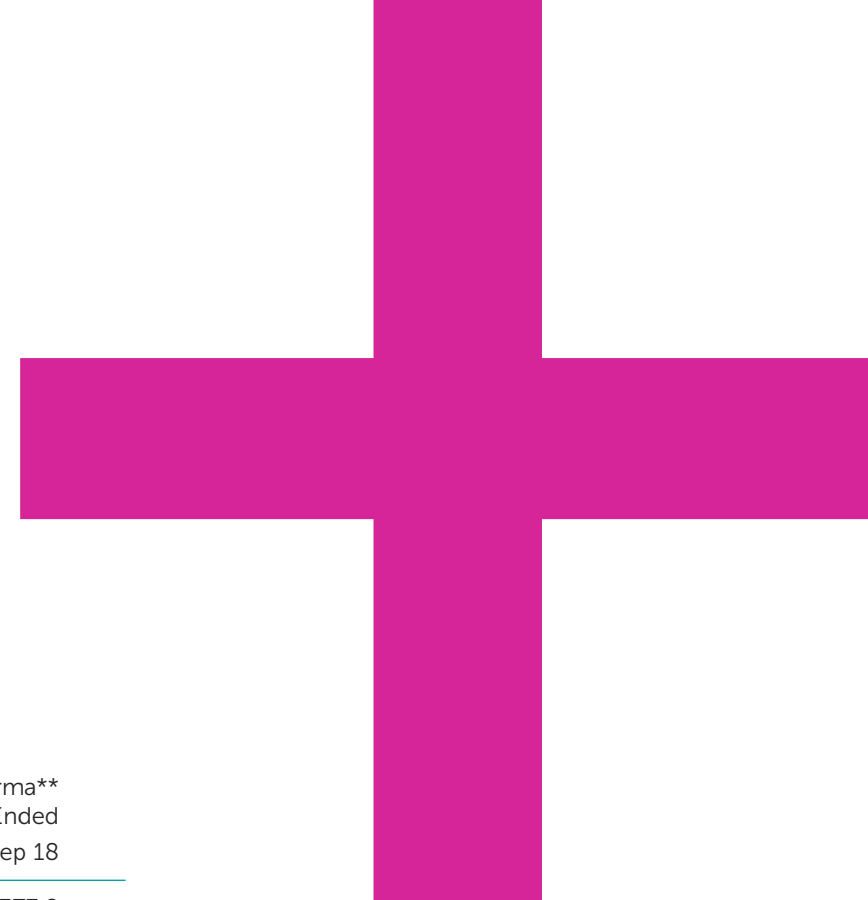
Group EBITDA

18%

Volume of major orders  
increased by 18%

\* Net revenue defined as gross revenue  
less third-party costs of delivery.

# Group Overview



£ millions	Year Ended 30 Sep 20	Year Ended 30 Sep 19	Pro Forma** Year Ended 30 Sep 18
<b>Total Revenue</b>	<b>424.9</b>	<b>425.6</b>	<b>373.2</b>
Cost of sales	(78.5)	(80.5)	(52.6)
Gross Profit	346.4	345.1	320.6
Administrative expenses	(253.3)	(256.0)	(242.9)
<b>EBITDA</b>	<b>93.1</b>	<b>89.1</b>	<b>77.7</b>
Operating cash flow	87.8	77.9	68.3
Employees	4,815	4,776	4,389

\*\*On 12 October 2017 the Group was acquired by Partners Group on behalf of its clients. To provide a better understanding of the trading results, comparative unaudited pro forma information has been shown above for the Group for the full 12 months period to 30 September 2018.

Consolidated financial statements for the Group are available at Companies House.





## Demonstrating our resilience

Despite the extraordinary events of 2020, we showed our resilience and strength and delivered a strong performance across the year.

Having taken steps to ensure business continuity following the advent of COVID-19, we maintained Civica's track record of robust operational and financial delivery and extended our history of strategic development.

This was underpinned by our ongoing and balanced investment in our people, products and platform.

During the year to 30th September 2020 the Group produced revenues of £424.9 million (2019: £425.6 million). Total net revenues\* increased to £346.4 million.

The business has now produced compound annual revenue growth of 13 per cent and EBITDA growth of 15 per cent across the five years 2015-2020 as we continue to create value for all stakeholders through our position as a leader in software for public services.

Across the longer term, Civica and its customers have benefited from two decades of sustained expansion.

## Accelerating cloud and innovation

This performance reflects the strong foundation of the business and further progress in the successful execution of our clear strategy. This is focused on increasing adoption of our cloud software and accelerating digitisation and automation across the public sector to help our customers address rising consumer expectations and complex challenges.

The Group's performance is underpinned by our focus and investment in employee and leadership development, with further investments in the year to strengthen capability, resources and management.

With a leading product portfolio and a track record of technology innovation, we maintained our investment in product development amounting to almost 19 per cent of revenues. We also launched our Civica NorthStar innovation lab to accelerate the application of new ideas and technologies for customers.

We secured a strong order intake across the year. The volume of major sales increased by 18 per cent with approximately three quarters of new customer sales being cloud-based.

Cross-selling of our products across markets and geographies remains a strategic focus and we secured initial sales for new products introduced to Australia and New Zealand under our Endeavour programme.

Recurring revenues grew to £220.3 million, accounting for 57 per cent of net revenues and supporting our continued excellent visibility and predictability of earnings.

Gross margins amounted to 82 per cent of revenue. Earnings before interest, taxation, depreciation, amortisation and exceptional charges (EBITDA) rose by 4.6 per cent to £93.1 million (2019: £89.1 million), representing a 21.9 per cent margin on sales.

The Group generated cash flow from operations of £87.8 million, an increase of 13 per cent on the prior year.

We maintained tight discipline on operational and financial management including capital allocation, ending the year with cash in the bank of £48.4 million (2019: £37.8 million).

\* Net revenue defined as gross revenue less third-party costs of delivery.

## Clear market focus

We have a clearly defined and platform-based business model focused around core markets and capabilities. Globally-consistent operations are organised into market-oriented software divisions supported by our platform services division.

Revenues in the UK & Ireland increased to £327.6 million led by good performance from our health and care, social housing and democracy divisions. We continued to build on our Australia and New Zealand platform and international activities overall accounted for 23 per cent of global revenues.

## Acquiring high quality software assets

Civica has a successful history of finding, acquiring and integrating complementary high quality businesses, and has completed more than 35 acquisitions in the last ten years.

Our sustainable mergers and acquisitions (M&A) are underpinned by established processes and we continue to strengthen our capability, adding excellent new software assets and expanding our addressable market.

The Group completed two new acquisitions in 2020 aligned with our core strategy and markets, in particular the UK healthcare and education sectors.

In March 2020 we acquired Fretwell-Downing Hospitality Holdings Limited, which provides Software as a Service (SaaS) solutions for catering management. The business complements our compliance capabilities - in particular in the education sector; and supporting a complete process from food standards compliance to cashless and online payments.

In August we added Healthcare specialist Chameleon Information Management Services Limited, trading as InfoFlex.

Managing clinical workflow and treatment processes, InfoFlex added to Civica's capability and presence in the NHS and advanced the Group's strategy to support the increased need for more integrated care.

Acquisitions are rapidly integrated to deliver greater value through our combined expertise. Following prior acquisitions, during the year we established a stronger position in workforce solutions with a complete capability to recruit, engage, develop and support employees.

With a strong pipeline of future opportunities we expect to support the growth of the business with ongoing strategic developments. Indeed, following the end of the financial year we made a number of further acquisitions including Parago Software Limited, Agylia Group Limited, Equiniti HR Solutions Limited, Ntropy Data, Inc, Thelma-EU Ltd trading as Medical Billing and Collection, Calibrand Limited and Arborsafe Holdings Pty Ltd.

## Continued investment in our platform

Our global operating platform underpins the Group's activities and ensures a scalable growth foundation.

During the year we made strong progress with our structured operational excellence programme, Centum. This is used to drive improvement initiatives across the business supported by an embedded programme office and a single set of internal systems.

During 2020 we invested in a series of programmes, including development, service delivery, sales and commercial management initiatives, and also delivered refreshed brand and positioning on existing strong advocacy.

We grew our team in Vadodara, India, to almost 600 colleagues providing an outstanding resource to support all parts of the business globally including back office and Group functions.

// The business has now produced compound annual revenue growth of 13% and EBITDA growth of 15% across // the five years 2015-2020.

Phill Rowland,  
Chief Financial Officer.



## Positive outlook

Civica continues to increase its global profile and is valued for its combination of people, technology and business process expertise.

With a resilient business and well developed strategy, we believe the Group is extremely well placed as a strong and trusted partner for our customers as they continue to respond to rapid and significant change, including the accelerating digitisation of public services.

## Strong governance framework

The Civica Group is majority owned by funds managed and/or advised by Partners Group, and is controlled by a Board comprising Partners Group-nominated non-executive directors and Civica management.

The Group continues to operate a strong framework of corporate governance across the business to ensure the successful delivery of business outcomes in line with our strategy and priorities, our management of risk and focus on delivery of excellent service to our customers. This framework is managed through the following components.

## Group Board

The Board is responsible for the overall strategy of the Group and the effective management of risk and performance.

It meets on a monthly basis to review business performance from a strategic, financial and operational perspective and to ensure that risks are appropriately managed, including major bids and investments.

The performance review is closely aligned to the key priorities in respect of financial performance, products and services, people, customer service and operational efficiency.

Business planning is conducted on an annual basis, again in line with the strategy and key priorities, and is approved by the Board. The Board has an effective balance of executive (2) and non-executive (5) directors.

## Audit Committee

The purpose of the Audit Committee is to review the financial statements and controls of the Group on behalf of the Group Board.

The committee is responsible for being assured that the principles and policies comply with best practice and account standards.

The committee will also consult with the external auditors reviewing key risk areas, seeking to satisfy itself that the internal control and compliance environment is adequate and effective, and recommending to the Group Board the appointment and remuneration of the external auditors.

The Audit Committee is chaired by the Group's non-executive chairman, and comprises the chief executive officer and Group Board members from Partners Group. The chief financial officer is invited to attend but is not a member of the Audit Committee.

## Remuneration Committee

The function of the Remuneration Committee is to provide oversight of the terms and conditions and remuneration of senior employees on behalf of the Group Board.

The Remuneration Committee is chaired by the Group's non-executive chairman, and in addition comprises the chief executive officer and Group Board members from Partners Group.



## Executive Management Board

The Executive Management Board consists of the chief executive and chief financial officers, the executive directors for the operating divisions and the Group function directors for people, marketing, business development, product strategy, technology and infrastructure.

It meets on a monthly basis to discuss strategic issues and the effective management of people and culture, opportunity, risk and business improvement.

## Monthly business reviews

Each unit within the Group is subject to a monthly business review by Executive Management Board members to assess the financial and operational performance and business risks, review the financial projections and review working capital management and cash flow performance.

Financial and operational key performance indicators in each unit are aligned to the key priorities of the Group as highlighted above. Specific business risks are identified and mitigated through this process.

## Commercial, legal and project management controls

All acquisition, capital investment and business development activity is controlled through a methodical process of qualification, review and approval, which is dependent upon both value and complexity to ensure appropriate management of business risk and effective use of business resources.

## Operational processes

As Civica continues to grow organically and through acquisition, we constantly review operational processes across the Group to support effective product and service development and efficient delivery to customers as well as our internal administration.

This is enhanced by a sustained cross-company improvement programme to strengthen our operating platform and to drive consistent best practice globally.

This is underpinned by a wide range of management accreditations including ISO 9001 (quality), ISO 14001 (environmental), OHSAS 18001 (Health & Safety), ISO 22301 (business continuity), ISO 20000 (IT service management) and ISO 27001 (information security).



## Principal risks & uncertainties

The Board is responsible for the Group's approach to assessing risk and accepts that in creating value for Civica, the Group must take on and accept some risk.

The executive directors are responsible for implementing the Board's policies on risk and control and monitoring compliance with these policies across the Group.

The system is designed to manage, rather than eliminate, the risk of failure to achieve corporate objectives. Accordingly, it can only provide reasonable but not absolute assurance against material misstatement or loss.

As with all other entities providing similar specialist software, digital solutions and associated services, the main risks and uncertainties facing the Group surround the level of public sector funding available in future periods, the risks of technological advancement and the threat of competition.

## Post Brexit

Under Civica's governance framework we consistently review risks and uncertainties and as such we monitor and assess market and legislative developments, which included Brexit.

As a UK-headquartered business with operations in the UK, Australia, New Zealand, Singapore, India and North America, the Group is not reliant on labour or product supply from within the European Union.

We benefit from a highly transferable skills base such that there is minimal impact in resourcing or recruitment. We continue to monitor the situation, to review regulatory developments and to take appropriate action as the need arises.

We believe the company is very well placed to support customers and remain committed and look forward to working with customers to mitigate any risk.

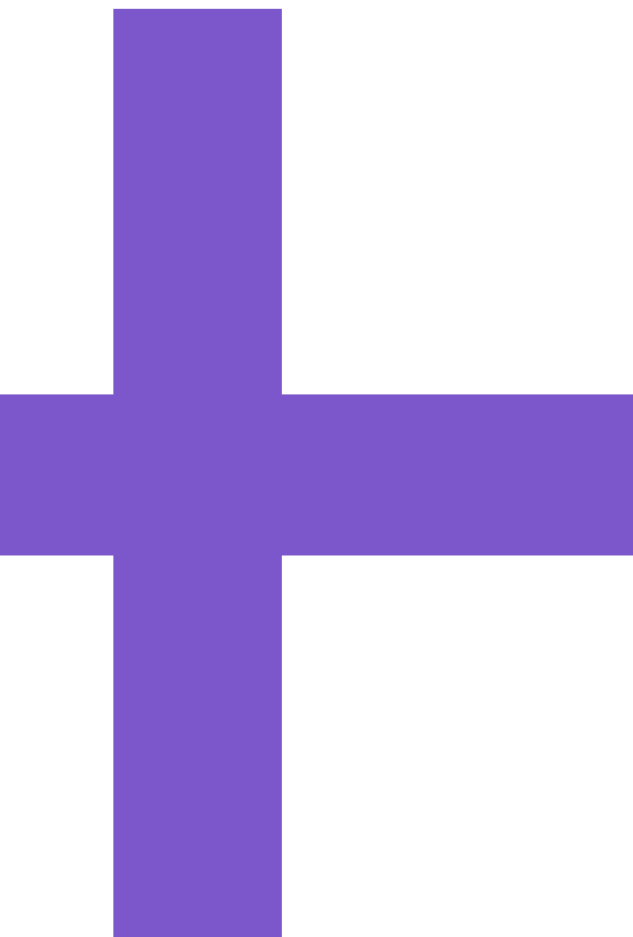
## Pensions

The Group operates a number of defined contribution pension schemes, as well as operating a defined benefit scheme and being a participating employer in two further defined benefit pension schemes.

All of the defined benefit pension schemes are closed to new entrants.



# Trading performance



\* Project Centum is a non-core investment programme to build a stronger platform for future growth.

	2020	2019
For the year ended 30 September	£ millions	£ millions
<b>Sales</b>		
Software and related services	346.7	337.5
Managed services	78.2	88.1
	<b>424.9</b>	<b>425.6</b>
<b>Cost of sales</b>	(78.5)	(80.5)
<b>Net revenues</b>		
Software and related services	297.7	287.1
Managed services	48.7	58.0
	<b>346.4</b>	<b>345.1</b>
<b>Direct employee costs</b>		
Technical and management	(176.9)	(186.2)
Sales	(20.7)	(21.7)
	(197.6)	(207.9)
<b>Contribution</b>	<b>148.8</b>	<b>137.2</b>
Central costs	(63.3)	(56.8)
<b>EBIT</b>	<b>85.5</b>	<b>80.4</b>
Depreciation	5.8	5.2
Project Centum*	1.8	3.5
<b>EBITDA</b>	<b>93.1</b>	<b>89.1</b>

## Registered head office

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# CIVICA



**INVESTORS IN PEOPLE**  
We invest in people Gold

Certification No. 663

ISO 9001, ISO 27001, ISO 22301,  
ISO 14001, OHSAS 18001, ISO 20000

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